TwentyFour
a boutique of Vontobel

Fund Commentary | 31 January 2025

MI TwentyFour Investment Funds - Dynamic Bond Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- January began with markets continuing to digest the hawkish rhetoric that the Federal Reserve (Fed) delivered at the end of 2024. The prospect of sticky inflation took centre stage and influenced investor expectations of a slower pace of interest rate cuts relative to previous forecasts. The sovereign bond sell-off that followed was further fuelled by a strong US labour report, which dampened fears of a significant weakening. The 10-year US Treasury yield peaked at 4.8%, but rallied as downside inflation surprises in the US and other major economies reduced concerns around pricing pressures. Despite the rates volatility, primary bond market activity remained high, and spreads continued to tighten across both European and US credit.

- UK gilts came under significant pressure at the beginning of the month, as market participants continued to digest recent inflation and economic growth data that suggested the Bank of England (BoE) would have to slow its rate-cutting cycle by more than previously anticipated. Sterling-denominated risk assets suffered as a result. However, the tide began to turn following a significantly weaker-than-expected services Consumer Price Index print of 4.4% year-on-year, which should set up the BoE to cut rates by 25 basis points (bps) at its next meeting.

- Both the European Central Bank (ECB) and Fed meetings at month-end did little to move markets, with the former's 25bps cut and the latter's decision to hold fully priced in prior to the announcements. The ECB's decision came despite the encouraging upside surprise in the Eurozone's flash Purchasing Managers' Index numbers, which saw the composite figure rise to 50.2 in January, the highest level since August.

- With the sovereign bond rally at the end of the month, the US Treasury index posted a total return of +0.55% in January, while UK gilts also performed strongly (+0.84%), despite coming under early pressure. Credit outperformed again as most sectors saw spread tightening. European and US high-yield indices returned +0.60% and +1.38%, respectively, while the Contingent Convertible bond index outperformed with +1.40%.

Portfolio Commentary

- Primary issuance picked up significantly in January, which enabled the portfolio managers (PMs) to conduct relative value switches where they thought appropriate. The heightened levels of volatility also meant that the secondary market was highly active, providing good levels of liquidity, particularly in the financials space. As the 10-year US Treasury yield approached 4.8%, the PMs considered increasing the portfolio's interest rate duration by either switching some 10-year exposure into the 30-year area or selling short-dated credit to increase the 10-year position. However, they ultimately opted to hold off on this move as the risk of sticky and persistently high inflation remained elevated. The team executed switches within buckets, with a theme of moving into bonds of higher credit quality.

- The Fund returned +0.97% for the month, with the largest contributors being bank Additional Tier 1 bonds (+0.30%), collateralised loan obligations (+0.22%), and insurance (+0.15%).

Market Outlook and Strategy

- With the inauguration of Donald Trump as US president behind us, investors will keep a close eye on whether there are any announcements with regard to the imposition of tariffs by the US on any of its trading partners. Labour and inflation data in the US and other major economies will also continue to serve as a key driver of risk sentiment, as these will play a pivotal role in determining central bank interest rate paths for the remainder of the year.

- Given the PMs have an overall positive outlook on the macroeconomic environment and the aforementioned market risks that could impact the Fund, their focus remains on building a portfolio that is able to protect against multiple scenarios while offering attractive risk-adjusted returns. The portfolio's large government bond buffer in particular is designed to help mitigate against the macroeconomic environment weakening, as well as providing the flexibility to potentially take advantage of any periods of elevated spread volatility.

					Annualised			
Cumulative Performance	1m	3m	6m	1y	3y	5y	10y	Since Inception*
Class I Acc (Gross)	0.97%	2.01%	3.67%	8.70%	2.14%	2.36%	3.59%	5.25%
ICE BoAML Global Broad Market	0.44%	0.43%	1.00%	2.76%	-1.57%	-0.98%	0.81%	2.20%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class I Acc (Gross)	0.97%	9.10%	9.61%	-13.26%	2.13%	6.55%	9.43%	-2.42%	8.89%	5.44%	3.60%
ICE BoAML Global Broad Market	0.44%	2.02%	5.67%	-13.46%	-1.73%	5.30%	6.49%	0.02%	1.97%	3.64%	1.37%

Past performance is not a reliable indicator of future performance. The performance figures shown are in GBP on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. *Inception date 26/04/2010. ICE Global Broad Market Index has been chosen as a proxy for the fixed income market overall and is used as reference index for illustration purposes only, there is no fund benchmark. Please see Important Information slides for further information on the index.

Key Risks

- Limited participation in the potential of single securities
- Investments in foreign currencies are subject to currency fluctuations
- Success of single security analysis and active management cannot be guaranteed
- It cannot be guaranteed that the investor will recover the capital invested
- Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility
- Interest rates may vary, bonds suffer price declines on rising interest rates
- Investment universe may involve investments in countries where the local capital markets may not yet qualify as recognised capital markets
- Money market investments are associated with risks of a money market, such as interest rate fluctuations, inflation risk and economic instability
- The Fund's investments may be subject to sustainability risks. The sustainability risks that the Fund may be subject to are likely to have an immaterial impact on the value of the Funds' investments in the medium to long term due to the mitigating nature of the Fund's ESG approach
- The Funds' performance may be positively or negatively affected by its sustainability strategy
- The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers
- Information on how environmental and social objectives are achieved and how sustainability risks are managed in this Fund may be obtained from twentyfouram.com/sustainability

Fund Managers

Charlene Malik
Portfolio Management, industry experience since 2012.

David Norris
Head of US Credit, industry experience since 1988.

Eoin Walsh
Partner, Portfolio Management, industry experience since 1997.

Felipe Villarroel
Partner, Portfolio Management, industry experience since 2007.

George Curtis
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Further Information and Literature:
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Further information on fund charges, costs and other important information pertaining to the fund can be found in English and free of charge on the fund pages of our website and/or in the relevant offering documents available at www.twentyfouram.com/document-library and/or www.fundrock.com/mi-funds/twentyfour-asset-management/